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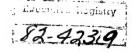
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FROM Craig L. Fuller SUBJ. COUNCIL ON ECONOMIC AFFAIRS Minutes of Jan 21 Meeting 1cy NIO/ECON
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## THE WHITE HOUSE

WASHINGTON



### CABINET AFFAIRS STAFFING MEMORANDUM

DA	TE:	1/27/82	NUM	IBER:	050142CA	DUE B	Y:		
SU	BJECT:	CABINET COUNCIL	ON EC	CONOMIC A	AFFAIRS Minut	es of	January	21 Meet	inc
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		CEA CEQ OSTP			CCHR/Carleson CCCT/Kass CCFA/McClaugl CCEA/Porter				
RE	MARKS	: Attached for	your i	informati	ion are the min	ites of	the Jan	uary 21	

meeting of the Cabinet Council on Economic Affairs.

RETURN TO:

Craig L. Fuller Assistant to the President for Cabinet Affairs 456-2823

CONTACT: Kenneth Cribb, Jr.

Assistant Director

Office of Cabinet Affairs

456-2800

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# MINUTES CABINET COUNCIL ON ECONOMIC AFFAIRS

January 21, 1982 8:45 a.m. Roosevelt Room

Attendees: The Vice President, Messrs. Regan, Donovan, Lewis, Block, Schweiker, Edwards, Stockman, Brock, Weidenbaum, Anderson, Porter, Darman, Wright, Sprinkel, Jordan, Kudlow, Gray, Hopkins, Ernst, Garrett, Beech, Cicconi, Dederick, Hudson, Hemel, Medas, and Ms. Constable.

### 1. International Economic Developments

Under Secretary Sprinkel reported on recent discussions between U.S. and senior foreign officials on several international economic policy issues. His presentation first focused on the appropriate role of the International Monetary Fund (IMF) including consideration of competing priorities at the IMF between granting loans for short-term liquidity purposes and long-term development purposes, the importance of greater conditionality in IMF credit agreements, and arguments concerning whether new special drawing rights are needed at this time. He indicated that there appears to be general foreign support for U.S. efforts to achieve increased discipline and conditionality at the IMF.

Mr. Sprinkel then discussed the growing international concern about the profitability of the World Bank, the U.S. emphasis on maturation, graduation, and cofinancing, and our opposition to the concept of an energy affiliate.

He reported the concerns of many foreign officials over U.S. fiscal policy, the effect of high U.S. interest rates on other nation's economies, concern over the volatility of U.S. monetary policy, and the desire for a more active U.S. role in exchange market intervention.

#### 2. Review of the Economic Outlook

The Council reviewed a paper on the economic outlook prepared by Lawrence Kudlow of the Office of Management and Budget.

Mr. Kudlow's presentation focused on the downward trend of the inflation rate over the last year, the rise in interest rates over the last two months, the likely timing of an economic recovery from the current recession and

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> and the sustainability of that recovery, indications from the futures markets concerning interest rate patterns over the next two years, revisions over the last year of future budget outlays, and the effect of new deficit information in December on interest rate changes at that time.

Mr. Kudlow also discussed monetary developments over the last several months, and centered his observations on the surge of money supply growth since November, and the combined economic impact of expansionary monetary policy and prospective large deficits.

The Council's discussion centered on the relative impacts of monetary and fiscal policies, the likely length of the recession if current interest rates continue, and the difficulty high interest rates pose for corporations that need to reconsolidate their balance sheets.

The Council also discussed procedures the Federal Reserve might use to reduce short-term money growth fluctuations, the technical implementation of Federal Reserve monetary policies, the difference in banking practices between the Federal Reserve and European central banks, and administration responses to inquiries concerning monetary policy.

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